

**UNITED STATES OF AMERICA  
DEPARTMENT OF THE TREASURY  
COMPTROLLER OF THE CURRENCY**

---

**In the Matter of:**

JPMorgan Chase Bank, N.A.  
Columbus, Ohio

---

)  
)  
)  
)  
)  
)  
)

AA-EC-2013-75

**CONSENT ORDER FOR A CIVIL MONEY PENALTY**

The Comptroller of the Currency of the United States of America (“Comptroller”), through his national bank examiners and other staff of the Office of the Comptroller of the Currency (“OCC”), has conducted examinations of JPMorgan Chase Bank, N.A., Columbus, Ohio (“Bank”). The OCC has identified deficiencies in the Bank’s trading oversight practices that resulted in losses of more than \$6 billion, and has informed the Bank of the findings resulting from the examinations.

The Bank, by and through its duly elected and acting Board of Directors, has executed a Stipulation and Consent to the Issuance of an Order for a Civil Money Penalty, dated September 18, 2013, that is accepted by the Comptroller (“Stipulation”). By this Stipulation, which is incorporated herein by reference, the Bank has consented to the issuance of this Consent Order for a Civil Money Penalty (“Order”) by the Comptroller. The Bank has committed to taking necessary and appropriate steps to remedy the deficiencies, unsafe and unsound practices and violations of law or regulation identified by the OCC, and has begun implementing procedures to remediate the practices addressed in this Order.

## ARTICLE I

### COMPTROLLER'S FINDINGS

The Comptroller finds the following:

- (1) The Chief Investment Office ("CIO") conducted various trades on behalf of the Bank.
- (2) Some of these trades involved a credit derivatives trading strategy.
- (3) During the first quarter of 2012, the CIO's credit derivatives trading strategy significantly increased the CIO's risk as measured by the Bank's Value at Risk ("VaR") model. This increase in risk resulted in breaches of certain limits established for the CIO.
- (4) During this period, the Bank implemented a new VaR model, which had the effect of significantly reducing the CIO's VaR measurement. While the process for measuring VaR changed, the VaR limits established under the previous model were retained. As a result, the CIO continued to increase its risk without continuing to exceed the VaR limits.
- (5) During this period, the CIO's credit derivatives trading strategy began to suffer substantial losses, and additional risk limits were breached.
- (6) During this period, the CIO substantially increased the size of its credit derivatives positions. The Bank's risk controls failed, and reporting was not adequate. The CIO was able to increase its positions and risk, and ultimately losses, without sufficiently effective intervention by the Bank's control groups.
- (7) During the second quarter 2012, the CIO's credit derivatives trading strategy suffered additional substantial losses.

(8) To the present, losses attributable to the CIO's credit derivatives trading strategy have exceeded \$6 billion.

(9) The OCC has engaged in several targeted examinations of the Bank and the CIO. The OCC's examination findings establish that the Bank had deficiencies in its internal controls and engaged in unsafe or unsound banking practices and violations of 12 C.F.R. Part 3, Appendix B (Market Risk Management Amendment) with respect to the credit derivatives trading strategies, activities and positions employed by the CIO on behalf of the Bank. The deficiencies and unsafe and unsound practices include the following:

- (a) The Bank's oversight and governance of the credit derivatives trading conducted by the CIO were inadequate to protect the Bank from material risks in those trading strategies, activities and positions;
- (b) The Bank's risk management processes and procedures for the credit derivatives trading conducted by the CIO did not provide an adequate foundation to identify, understand, measure, monitor and control risk;
- (c) The Bank's valuation control processes and procedures for the credit derivatives trading conducted by the CIO were insufficient to provide a rigorous and effective assessment of valuation;
- (d) The Bank's internal audit processes and procedures related to the credit derivatives trading conducted by the CIO were not effective; and

(e) The Bank's model risk management practices and procedures were inadequate to provide adequate controls over certain of the Bank's market risk and price risk models.

(10) The credit derivatives trading activity constituted recklessly unsafe and unsound practices, was part of a pattern of misconduct and resulted in more than minimal loss, all within the meaning of 12 U.S.C. § 1818(i)(2)(B).

(11) The Bank failed to ensure that significant information related to the credit derivatives trading strategy and deficiencies identified in risk management systems and controls was provided in a timely and appropriate manner to OCC examiners.

## ARTICLE II

### ORDER FOR A CIVIL MONEY PENALTY

Pursuant to the authority vested in him by the Federal Deposit Insurance Act, 12 U.S.C. § 1818(i), the Comptroller orders, and the Bank consents to the following:

(1) The Bank shall make payment of a civil money penalty in the total amount of three hundred million dollars (\$300,000,000), which shall be paid upon the execution of this Order:

(a) If a check is the selected method of payment, the check shall be made payable to the Treasurer of the United States and shall be delivered to: Comptroller of the Currency, P.O. Box 979012, St. Louis, Missouri 63197-9000.

- (b) If a wire transfer is the selected method of payment, it shall be sent in accordance with instructions provided by the Comptroller.
- (c) The docket number of this case (AA-EC-2013-75) shall be entered on the payment document or wire confirmation and a photocopy of the payment document or confirmation of the wire transfer shall be sent immediately, by overnight delivery, to the Director of Enforcement and Compliance, Office of the Comptroller of the Currency, 400 7th Street, S.W., Washington, D.C. 20219.

(2) This Order shall be enforceable to the same extent and in the same manner as an effective and outstanding order that has been issued and has become final pursuant to 12 U.S.C. § 1818(h) and (i).

### ARTICLE III

#### OTHER PROVISIONS

(1) This Order is intended to be, and shall be construed to be, a final order issued pursuant to 12 U.S.C. § 1818(i)(2), and expressly does not form, and may not be construed to form, a contract binding on the Comptroller or the United States.

(2) This Order constitutes a settlement of the civil money penalty proceeding against the Bank contemplated by the Comptroller, based on the unsafe and unsound practices and violations of law and regulation described in the Comptroller's Findings set forth in Article I of this Order. The Comptroller releases and discharges the Bank from all potential liability for a civil money penalty order that has been or might have been asserted by the Comptroller based on

the conduct described in Article I of this Order, to the extent known to the Comptroller as of the effective date of this Order. However, the unsafe and unsound practices and violations described in Article I of this Order may be utilized by the Comptroller in other future enforcement actions against the Bank or its institution-affiliated parties, including, without limitation, to establish a pattern or practice of violations or unsafe and unsound practices, or the continuation of a pattern or practice of violations or unsafe or unsound practices. This release shall not preclude or affect any right of the Comptroller to determine and ensure compliance with the terms and provisions of the Stipulation and this Order.

(3) The terms of this Order, including this paragraph, are not subject to amendment or modification by any extraneous expression, prior agreements, or prior arrangements between the parties, whether oral or written.

IT IS SO ORDERED, this 18<sup>th</sup> day of September 2013.

\_\_\_\_\_/s/\_\_\_\_\_  
Sally G. Belshaw  
Deputy Comptroller  
Large Bank Supervision

**UNITED STATES OF AMERICA  
DEPARTMENT OF THE TREASURY  
COMPTROLLER OF THE CURRENCY**

---

**In the Matter of:**

JPMorgan Chase Bank, N.A.  
Columbus, Ohio

---

)  
)  
)  
)  
)  
)

AA-EC-2013-75

**STIPULATION AND CONSENT TO THE ISSUANCE  
OF AN ORDER FOR A CIVIL MONEY PENALTY**

**WHEREAS**, the Comptroller of the Currency of the United States of America (“Comptroller”), based upon information derived from the exercise of his regulatory and supervisory responsibilities, intends to initiate a civil money penalty proceeding against JPMorgan Chase Bank, N.A., Columbus, Ohio (“Bank”), pursuant to 12 U.S.C. § 1818(i), based on deficiencies in the Bank’s trading oversight practices;

**WHEREAS**, in the interest of cooperation and to avoid additional costs associated with administrative and judicial proceedings with respect to the above matter, and without an adjudication on the merits, the Bank, through its duly elected and acting Board of Directors (“Board”), has agreed to execute this Stipulation and Consent to the Issuance of a Civil Money Penalty (“Stipulation”), that is accepted by the Comptroller, through his duly authorized representative;

**NOW, THEREFORE**, in consideration of the above premises, it is stipulated by the Bank that:

## ARTICLE I

### JURISDICTION

- (1) The Bank is a national banking association chartered and examined by the Comptroller pursuant to the National Bank Act of 1864, as amended, 12 U.S.C. § 1 *et seq.*
- (2) The Comptroller is “the appropriate Federal banking agency” regarding the Bank pursuant to 12 U.S.C. §§ 1813(q) and 1818(i).
- (3) The Bank is an “insured depository institution” within the meaning of 12 U.S.C. § 1818(i).

## ARTICLE II

### CONSENT

- (1) The Bank consents and agrees to issuance of the accompanying Consent Order for a Civil Money Penalty (“Consent Order”) by the Comptroller.
- (2) The terms and provisions of the Consent Order apply to JPMorgan Chase Bank, N.A., Columbus, Ohio and all its subsidiaries, even though those subsidiaries are not named as parties to the Consent Order.
- (3) The Bank consents and agrees that the Consent Order shall be deemed an “order issued with the consent of the depository institution” pursuant to 12 U.S.C. § 1818(h)(2), and consents and agrees that the Consent Order shall become effective upon its execution by the Comptroller through his authorized representative, and shall be fully enforceable by the Comptroller pursuant to 12 U.S.C. § 1818(i).
- (4) Notwithstanding the absence of mutuality of obligation, or of consideration, or of a contract, the Comptroller may enforce any of the commitments or obligations herein undertaken by the Bank under his supervisory powers, including 12 U.S.C. § 1818(i), and not as



a matter of contract law. The Bank expressly acknowledges that neither the Bank nor the Comptroller has any intention to enter into a contract.

(5) The Bank declares that no separate promise or inducement of any kind has been made by the Comptroller, or by his agents or employees, to cause or induce the Bank to consent to the issuance of the Consent Order and/or execute this Stipulation.

(6) The Bank expressly acknowledges that no officer or employee of the Comptroller has statutory or other authority to bind the United States, the United States Treasury Department, the Comptroller, or any other federal bank regulatory agency or entity, or any officer or employee of any of those entities to a contract affecting the Comptroller's exercise of his supervisory responsibilities.

(7) The Consent Order constitutes a settlement of the civil money penalty proceeding against the Bank contemplated by the Comptroller, based on the unsafe and unsound practices and violations of law and regulation described in the Comptroller's Findings set forth in Article I of the Consent Order. The Comptroller releases and discharges the Bank from all potential liability for a civil money penalty order that has been or might have been asserted by the Comptroller based on the conduct described in Article I of the Consent Order, to the extent known to the Comptroller as of the effective date of the Consent Order. However, the unsafe and unsound practices and violations described in Article I of the Consent Order may be utilized by the Comptroller in other future enforcement actions against the Bank or its institution-affiliated parties, including, without limitation, to establish a pattern or practice of violations or unsafe and unsound practices, or the continuation of a pattern or practice of violations or unsafe and unsound practices. This release shall not preclude or affect any right of the Comptroller to

determine and ensure compliance with the terms and provisions of this Stipulation and the Consent Order.

### ARTICLE III

#### WAIVERS

(1) The Bank, by executing this Stipulation and consenting to the Consent Order, waives:

- (a) Any and all rights to the issuance of a Notice of Charges pursuant to 12 U.S.C. § 1818(i);
- (b) Any and all procedural rights available in connection with the issuance of the Consent Order;
- (c) Any and all rights to a hearing and a final agency decision pursuant to 12 U.S.C. § 1818(i), 12 C.F.R. Part 19;
- (d) Any and all rights to seek any type of administrative or judicial review of the Consent Order;
- (e) Any and all claims for fees, costs or expenses against the Comptroller, or any of his agents or employees, related in any way to this enforcement matter or the Consent Order, whether arising under common law or under the terms of any statute, including, but not limited to, the Equal Access to Justice Act, 5 U.S.C. § 504 and 28 U.S.C. § 2412;
- (f) Any and all rights to assert this proceeding, this Stipulation, consent to the issuance of the Consent Order, and/or the issuance of the Consent Order, as the basis for a claim of double jeopardy in any pending or future

proceeding brought by the United States Department of Justice or any other governmental entity; and

- (g) Any and all rights to challenge or contest the validity of the Consent Order.

#### ARTICLE IV

##### CLOSING

(1) The provisions of this Stipulation and the Consent Order shall not inhibit, estop, bar, or otherwise prevent the Comptroller from taking any other action affecting the Bank if, at any time, he deems it appropriate to do so to fulfill the responsibilities placed upon him by the several laws of the United States of America.

(2) Nothing in this Stipulation or the Consent Order shall preclude any proceedings brought by the Comptroller to enforce the terms of the Consent Order, and nothing in this Stipulation or the Consent Order constitutes, nor shall the Bank contend that it constitutes, a release, discharge, compromise, settlement, dismissal, or resolution of any actions, or in any way affects any actions that may be or have been brought by any other representative of the United States or an agency thereof, including, without limitation, the United States Department of Justice.

(3) The terms of this Stipulation, including this paragraph, and of the Consent Order are not subject to amendment or modification by any extraneous expression, prior agreements or prior arrangements between the parties, whether oral or written.

IN TESTIMONY WHEREOF, the undersigned, as the duly elected and acting Board of Directors of JPMorgan Chase Bank, N.A., Columbus, Ohio, have hereunto set their hands on behalf of the Bank.

/s/  
James S. Crown

September 17, 2013  
Date

/s/  
Laban P. Jackson Jr.

September 17, 2013  
Date

/s/  
Marianne Lake

September 17, 2013  
Date

/s/  
William C. Weldon

September 17, 2013  
Date

/s/  
Matthew E. Zames

September 17, 2013  
Date

Accepted by:

THE COMPTROLLER OF THE CURRENCY

/s/

September 18, 2013

By:

\_\_\_\_\_  
Sally G. Belshaw  
Deputy Comptroller  
Large Bank Supervision

\_\_\_\_\_  
Date